

EVENT VIOLATION
INSPECTOR'S STATEMENT
MINERALS REGULATORY PROGRAM

Company/Mine: Palladon Iron Corporation/ Iron Mountain Mine__ MN-2006-02-02(1)
 Permit #: M/021/008 Violation # 1 of 1

SERIOUSNESS

1. What type of event is applicable to the regulation cited? Refer to the DOGM reference list of event below and remember that **the event is NOT the same as the violation**. Mark and explain each event.

- | | | |
|-------------------------------------|----|--|
| <input type="checkbox"/> | a. | Activity outside the approved permit area. |
| <input type="checkbox"/> | b. | Injury to the public (public safety). |
| <input type="checkbox"/> | c. | Damage to property. |
| <input checked="" type="checkbox"/> | d. | Conducting activities without appropriate approvals. |
| <input type="checkbox"/> | e. | Environmental harm. |
| <input type="checkbox"/> | f. | Water pollution. |
| <input type="checkbox"/> | g. | Loss of reclamation/revegetation potential. |
| <input type="checkbox"/> | h. | Reduced establishment, diverse and effective vegetative cover. |
| <input type="checkbox"/> | i. | No event occurred as a result of the violation. |
| <input type="checkbox"/> | j. | Other. |

Explanation: Palladon was operating within their approved permit area but not within the area approved to be disturbed.

2. Has the event or damage occurred? Yes
 If yes, describe it. If no, what would cause it to occur and what is the probability of the event(s) occurring? (None, Unlikely, Likely).

Explanation: Palladon had begun mining within an area that was not covered by the current bond.

3. Did any damage occur as a result of the violation? Yes

4. If yes, describe the duration and extent of the damage or impact. How much damage may have occurred if the violation had not been discovered by a DOGM inspector? Describe this potential damage and whether or not it would extend off the disturbed and/or permit area.

Explanation: The mining and stockpile areas had impacted approximately one acre. It is possible that mining could have impacted ~5 acres if the this project had been completed. There was no danger that this activity would have extended off the permit area.

B. DEGREE OF FAULT (Check the statements which apply to the violation and discuss).

- ☐ Was the violation not the fault of the operator (due to vandalism or an act of God), explain. Remember that the permittee is considered responsible for the actions of all persons working on the mine site.

Explanation: _____

- ☒ Was the violation the result of not knowing about DOGM regulations, indifference to DOGM regulations or the result of lack of reasonable care.

Explanation: The operator was unfamiliar with the extent of the areas bonded to be disturbed with the permit area. Palladon had recently acquired this property from Geneva Iron and were initiating pre-construction activities.

- ☐ If the actual or potential environmental harm or harm to the public should have been evident to a careful operator, describe the situation and what, if anything, the operator did to correct it prior to being cited.

Explanation: _____

- ☒ Was the operator in violation of a specific permit condition?

Explanation: Palladon was operating outside the area bonded to be disturbed.

- ☐ Has DOGM cited the violation in the past? If so, give the dates and the type of warning or enforcement action taken.

Explanation: _____

Was any economic benefit gained by the operator for failure to comply? Yes
If yes explain.

Explanation: Palladon was mining material for the purpose of making gravel which would negate the need to purchase this commodity.

GOOD FAITH

1. In order to receive good faith for compliance with an NOV or CO, the violation must have been abated before the abatement deadline. If you think this applies, describe how rapid compliance was achieved (give date) and describe the measures the operator took to comply as rapidly as possible.

Explanation: _____


2. Explain whether or not the operator had the necessary resources on site to achieve compliance.

Explanation: Palladon presently have personnel on staff who could revise the permit to include that additional area disturbed and adhere to the terms and conditions of the MR-TRS.

3. Was the submission of plans prior to physical activity required by this NOV / CO? NO If yes, explain.

Explanation: _____

Doug Jensen
Authorized Representative


Signature

July 6, 2006
Date